

62-6-137. Registration with the department of codes administration or other appropriate department -- Posting of permit bonds.

(a) It shall be the duty of every person who makes contracts described in subdivisions (a)(1)-(4), and every person, making such contracts or subletting such contracts, or any part of the contracts, to register with the department of codes administration or other appropriate departments and to post a permit bond in the amount set forth in this section:

(1) For the construction, erection, alteration, repair, removal or demolition of any building or structure or part of any building or structure;

(2) For repair or replacement of any damage to a building or structure caused by insects or natural disasters;

(3) To erect or construct any sign, billboard or similar structure or to construct any public or private swimming pool; or

(4) To do or perform any work for which a permit is required.

(b) (1) For building permits under twenty-five thousand dollars (\$25,000), the bond amount shall be ten thousand dollars (\$10,000).

(2) For all building permits of twenty-five thousand dollars (\$25,000) and larger, the bond amount shall be fifty thousand dollars (\$50,000).

(3) For all gas/mechanical, plumbing and excavation permits, the bond amount shall be forty thousand dollars (\$40,000).

(c) The bond required by this section shall be a permit bond conditioned to conform to the requirements of this section and to all applicable laws, ordinances, rules and regulations of the municipality or county relating to work that is performed by the principal pursuant to a permit issued under this bond or for work performed by the principal for which a permit should have been obtained prior to commencement of the activity, and to indemnify the municipality or county and property owners against any and all loss suffered by them by reason of the failure of the contractor to comply with the laws, ordinances, rules and regulations. The bond shall be continuous and may not be cancelled without at least a ten-day prior notice in writing to the director of codes administration or other appropriate director. The liability of the surety shall continue to attach to work performed pursuant to any permit issued prior to the termination date of the bond, even if the noncomplying act occurs after the termination date of the bond. The liability of the surety for any and all claims, suits or actions under this bond shall not exceed the bond penalty. Regardless of the number of years this bond may remain in force, the liability of the surety shall not be cumulative and the aggregate liability of the surety for any and all claims, suits or actions under this bond shall not exceed the face

amount. The bond shall be issued by a United States treasury listed corporate surety or a Tennessee domestic insurance company, on forms provided by the department of codes administration or other appropriate department.

(d) It shall be the duty of every person, firm or corporation desiring to register with the department of codes administration or other appropriate department under this section to secure the required contractor's business license from the municipality or county.

(e) Contractors with multiple trades or contractors involved in the construction, repair or alteration of more than one (1) structure in the municipality or county may provide one (1) fifty thousand dollar (\$50,000) bond to meet the requirements of this section.

(f) The bond shall be referenced by a standard form legal agreement, approved by the city or county attorney.

(g) This section shall have no effect unless approved by a two-thirds (2/3) vote of the governing body of any municipality or county.

(h) This section shall not apply to nonprofit housing ministries that, through volunteer labor and donations of money and materials, build and rehabilitate houses with the help of the homeowner families.

(i) This section shall not be construed to extend the amount of time a contractor is liable under current law regarding construction, erection, alteration, repair, removal or demolition of any building or structure.

(j) Nothing in this section shall be construed to apply to or alter or affect any municipality, county or metropolitan government that, on June 22, 2005, has similar or more stringent requirements than those required in this section relative to bonding requirements and insuring that a contractor secures the required business license from the municipality, county or metropolitan government.

HISTORY: Acts 2005, ch. 489, §§ 1-10.